

Message Text

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44

ACTION NEA-12

INFO OCT-01 EUR-25 ISO-00 NEAE-00 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01

SPC-03 SS-20 USIA-15 ACDA-19 IO-14 EB-11 COME-00

INT-08 SCEM-02 SCI-06 OMB-01 TRSE-00 DRC-01 AID-20

SIL-01 LAB-06 /204 W

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P R 111214Z DEC 73

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC PRIORITY 0000

INFO RUESBI/AMEMBASSY ABU DHABI 0838

AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY TEHRAN

USMISSION OECD PARIS

C O N F I D E N T I A L KUWAIT 4320

BEIRUT ALSO POUCH BAGHDAD

E.O. 11652: GDS

TAGS: PINT ENRG KU

SUBJ: GOK PRESSES NATIONAL ASSEMBLY TO APPROVE OIL PARTICI-
PATION

REF: A) KUWAIT 4244 (NOTAL) B) KUWAIT 4267 (NOTAL)

SUMMARY: GOK APPEARS TO BE MOVING RAPIDLY TO CONVINCE NATIONAL
ASSEMBLY TO APPROVE CONCEPT OF PARTICIPATION RATHER THAN INSIST
ON NATIONALIZATION. IN MEETING WITH DEPUTIES DEC 10, GOK MINISTERS
DISCUSSED GENERAL POINTS AGREEMENT IN PARTICIPATION ACCORD STILL
UNDER NEGOTIATION. POINTS LEAKED TO PRESS INCLUDED 60 PERCENT GOK
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OWNERSHIP AND REIMBURSEMENT ON BASIS OF BOOK VALUE OF ASSETS.

FONMIN TOLK AMBASSADOR HE EXPLAINED TO DEPUTIES GOK NOT YET READY FOR NATIONALIZATION AND HE THOUGHT GOVERNMENT HAD MADE ITS POINT.
END SUMMARY

1. GOK IS MOVING RAPIDLY TO OBTAIN NATIONAL ASSEMBLY APPROVAL OF GOK PARTICIPATION IN KUWAIT OIL COMPANY (KOC) (OWNED 50/50 BY GULF AND BP) INSTEAD NATIONALIZATION. WITHIN 48 HOURS OF INTRODUCTION OF PRIVATE NATIONALIZATION BILL IN NATIONAL ASSEMBLY ON DEC 8 (REF B), IMPRESSIVE GOK MINISTERIAL TEAM HELD SIX HOUR "SECRET SESSION" WITH SPEAKER AND 40 DEPUTIES, OSTENSIBLY TO DISCUSS NATIONALIZATION BILL. REAL PURPOSE OF MEETING APPEARED TO BE FOR GOK TO OUTLINE GENERAL POINTS OF AGREEMENT ON PARTICIPATION ACCORD BETWEEN GOK AND COMPANIES AND TO SOUND OUT ASSEMBLY ON THEM. MAIN ISSUE WAS WHETHER PARTICIPATION TERMS OUTLINED WERE BETTER FOR KUWAIT THAN IMMEDIATE NATIONALIZATION.

2. GOK TEAM CONSISTED MIN FINANCE AND OIL ATIQI, FONMIN SABAH AL-AHMAD AND MIN INT AND DEF SHAIKH SAAD (MEMBERS RULING FAMILY), AND MINSTATE HUSSAIN. SPEAKER AND FORTY (OUT OF TOTAL OF 50) DEPUTIES REPRESENTS MORE THAN USUAL ATTENDANCE AT ASSEMBLY SESSIONS.

3. DEC 11 LOCAL PRESS (DAY FOLLOWING "SECRET SESSION") CARRIED FOLLOWING INFORMATION RE PARTICIPATION AGREEMENT QUOTING "AUTHORITATIVE SOURCES":

GOK WILL ACQUIRE IMMEDIATE 60 PERCENT SHARE IN KOC. THIS PERCENTAGE WOULD REMAIN EFFECTIVE FOR FIVE-YEAR PERIOD, AFTER WHICH AGREEMENT COULD BE REVIEWED. COMPENSATION WOULD BE PAID ON BOOK VALUE OF ASSETS IN KUWAIT AND RIGHTS ACQUIRED BY EITHER SIDE IN PAST WOULD NOT RPT NOT BE LOST. FUTURE PRODUCTION LEVELS WOULD BE DETERMINED "ACCORDING TO PREVAILING CIRCUMSTANCES."

4. ACCORDING TO PRESS, SOME DEPUTIES PRESSED FOR IMMEDIATE NATIONALIZATION WHILE OTHERS PROPOSED THAT THE PARTICIPATION AGREEMENT BE REFERRED TO FINANCIAL AND ECONOMIC COMMITTEE FOR STUDY, CITING "PRACTICAL OBSTACLES" TO COMPLETE NATIONALIZATION.

5. PRESS NOTED THAT AGREEMENT UNDER DISCUSSION APPLIES ONLY TO KOC, AND AMINOIL WOULD BE TREATED SEPARATELY. THERE WAS SUGGESTION
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NATIONAL ASSEMBLY MAY PUT PRESSURE ON GOK TO NATIONALIZE AMINOIL BECAUSE IT IS WHOLLY AMERICAN, IS ONLY marginally PROFITABLE, AND HAS MANY PROBLEMS IN PRODUCTION, MARKETING AND LABOR RELATIONS.

6. COMMENT: FONMIN SHAIKH SABAH TOLD AMBASSADOR DECEMBER 11 THAT SESSION WITH DEPUTIES WAS "HOT ONE" THAT THRASHED OUT ISSUE OF PARTICIPATION VS. NATIONALIZATION. MINISTER EMPHASIZED

THAT "NATIONALIZATION IS BAD WORD" AND NOT APPROPRIATE COURSE FOR KUWAIT AT THIS TIME. KUWAIT NOT YET IN A POSITION DO WITHOUT COMPANIES IN RUNNING OIL INDUSTRY. SHAIKH SABAH INDICATED GOK CONSIDERS IT HAS WON ITS POINT WITH DEPUTIES FOR TIME BEING.

7. LEAK OF GENERAL TERMS OF PARTICIPATION AGREEMENT STILL UNDER NEGOTIATION DID NOT APPEAR TO WORRY SHAIKH SABAH ALTHOUGH SHAIKH SAAD TOLD PRESS MORING DECEMBER 11 THAT GOK ABSOLUTELY DENIES REPORTS THAT IT HAS APPROVED PARTICIPATION AGREEMENT UNDER WHICH GOK WILL ACQUIRE 60 PERCENT SHARE. HE EMPHASIZED GOK/ COMPANY TALKS CONTINUING. SAAD'S STATEMENT, OF COURSE, TRUE BUT RELIABLE KOC SOURCE STATED FORMAL ANNOUNCEMENT PARTICIPATION AGREEMENT WOULD BE MADE BEFORE SATURDAY WHEN DEBATE ON NATIONALIZATION DUE TAKE PLACE.

8. IT APPEARS THAT INTRODUCTION NATIONALIZATION BILL IN ASSEMBLY DECEMBER 8 STIMULATED GOK TO MAKE ALL-OUT EFFORT TO HEAD OFF NATIONALIZATION ON GROUNDS GOK NOT YET READY FOR IT. SPECULATION CONTINUES AS TO WHY NORMALLY CONSERVATIVE GROUP INTRODUCED BILL. ONE MOTIVE FOR GROUP PROPOSING IT COULD HAVE BEEN TO FORCE GOVERNMENT TO COME UP WITH VERY BEST POSSIBLE ARRANGEMENT WITH OIL COMPANIES IN SHORTEST POSSIBLE TIME, AND PERHAPS STRENGTHEN ITS POSITION VIS-A-VIS COMPANIES. SOME, HOWEVER, BELIEVE MOVE WAS TACTIC TO IMPROVE POPULARITY PROPOSING DEPUTIES LOOKING FORWARD TO ASSEMBLY ELECTION TO BE HELD EARLY 75. SEEMS UNLIKELY GOK WOULD HAVE ENCOURAGED PUTTING FORTH BILL TO STRENGTHEN ITS BARGAINING POSITION WITH COMPANIES, SINCE SUCH TACTIC LIABLE GET OUT OF HAND.

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